

Date of Hearing: June 15, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

SB 1436 (Committee on Revenue and Taxation) – As Introduced March 11, 2026

Majority vote. Fiscal committee.

SENATE VOTE: 36-0

SUBJECT: Qualified ABLE Program

SUMMARY: Makes multiple technical and noncontroversial changes to the Sales and Use Tax (SUT) Law, Personal Income Tax (PIT) Law, and Corporation Tax (CT) Law. Specifically, **this bill:**

- 1) Allows the California Department of Tax and Fee Administration (CDTFA) to reinstate a used car dealer's exemption from the Accelerated Remittance Program (ARP) under which certain dealers remit the sales tax and any applicable district use tax to the Department of Motor Vehicles (DMV) rather than the CDTFA, if the CDTFA determines that the dealer has sold 1,000 or more vehicles at retail in the current or preceding calendar year and the dealer's account is in good standing with the CDTFA.
- 2) Revises, for purposes of the ARP, the period under which "good standing" is evaluated to the most recent 12 quarterly reporting periods instead of the 12 quarterly reporting periods immediately preceding exemption issuance.
- 3) Conforms, under the PIT Law and CT Law for taxable years beginning on or after January 1, 2026, to recent changes in federal law relating to Achieving a Better Life Experience Accounts (ABLE accounts) as follows:
 - a) Increases the limitation on contributions to ABLE accounts;
 - b) Provides designated beneficiaries an increased limitation on their own contributions to their ABLE account; and,
 - c) Applies a modified calculation for the cash contribution inflation adjustment.

EXISTING LAW:

- 1) Imposes, subject to specified exemptions and exclusions, a sales tax on all retailers on the retail sale of tangible personal property (TPP) in California. If the sales tax does not apply, the SUT Law imposes a complimentary use tax on the storage, use, or other consumption in this state of TPP purchased from a retailer. (Revenue and Taxation Code (R&TC) Section 6001 *et seq.*)
- 2) Requires certain used motor vehicle dealers to pay the sales tax and any applicable district use tax, on their retail sales of certain used motor vehicles directly to the DMV when they

submit a vehicle registration application. (R&TC Section 6295 and Vehicle Code Section 4456(a)(3).)

- 3) Provides that a vehicle registration application submitted to the DMV by a dealer is deemed a return filed with the CDTFA with respect to tax amounts reported to the DMV. (R&TC Section 6295.)
- 4) Defines "Federal ABLE Act" as the federal Stephen Beck, Jr., Achieving a Better Life Experience (ABLE) Act of 2014. (Welfare & Institutions Code (W&IC) Section 4875).
- 5) Defines a "CalABLE account" as an ABLE account that is established within the Qualified ABLE Program (Program) and administered by the California ABLE Act Board (Board). (*Id.*)
- 6) Establishes the Program, administered by the Board, in this state to implement the ABLE Act. (W&IC Section 4877.)
- 7) Conforms the PIT Law and CT Law to provisions in federal income tax law that provide an exclusion from gross income for disbursements from ABLE accounts for qualifying expenses. (R&TC Sections 17140.4 and 23711.4.)

FISCAL EFFECT: The CDTFA estimates that the ARP provisions result in no revenue impact. The FTB estimates General Fund revenue losses of \$40,000 in fiscal year (FY) 2026-27, \$20,000 in FY 2027-28, and \$30,000 in FY 2028-29 resulting from the conformity changes.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

SB 1436 combines two noncontroversial provisions: one matter raised by CDTFA regarding the administration of exemptions to the accelerated remittance program, and one matter raised by the Treasurer's Office regarding ABLE account conformity with federal law. Moving individual proposals as separate bills, even if technical and noncontroversial, through the legislative process is less efficient than consolidating them into one measure. Committee staff distributed these proposals to affected parties for review before they were included in the bill. Should anyone object to an item in the bill, the Committee will remove said item.

- 2) This bill is supported by State Treasurer Fiona Ma, who notes, in part:

State law governing CalABLE contribution limits is outdated because federal law removed the ABLE to Work Act's sunset provisions. As a result, California no longer matches federal law. This mismatch could confuse current and potential account holders when distinguishing what is permitted at the national level and what is authorized within the state. Californians with disabilities who are working may not know whether they can make additional contributions, which could reduce participation in the program.

SB 1436 would remove the existing sunset clause on state 'ABLE to Work' contributions, thereby ensuring that California law remains aligned with the federal ABLE to Work Act. By eliminating this expiration, this bill would provide ongoing certainty and stability for

working individuals with disabilities who rely on their CalABLE accounts to save for their future.

3) Committee Staff Comments:

- a) *Collecting and remitting SUT*: State law imposes the sales tax on every retailer selling TPP in California. Retailers must register with the CDTFA and remit sales tax amounts collected at sale to the CDTFA. If the purchaser does not pay the sales tax to the retailer, the purchaser is liable for paying use tax to the CDTFA. The use tax is imposed on any person using, storing, or consuming TPP in California and must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase. The use tax rate is the same as the sales tax rate.

A person located in California, who makes three or more sales of TPP (including vehicles) in a 12-month period, is a retailer. California law requires retailers to hold a seller's permit and to collect and remit SUT on their sales of TPP, unless an exemption applies. Automobiles are considered TPP and sales of these items result in significant revenues for both the State and local governments.

The table below shows the incremental structure of the SUT at its current statewide rate of 7.25%. Additionally, cities and counties may increase the SUT rate up to 2% with voter approval for specific or general purposes pursuant to the California Constitution's vote requirements.

Rate	Jurisdiction	Purpose/Authority
3.9375%	State (General Fund)	State general purposes
1.0625%	Local Revenue Fund (2011 Realignment)	Local governments to fund local public safety services
0.50%	State (1991 Realignment)	Local governments to fund health and welfare programs
0.50%	State (Proposition 172 - 1993)	Local governments to fund public safety services
1.25%	Local (City/County) 1.00% City and County 0.25% County	City and county general operations Dedicated to county transportation purposes
7.25%	Total Statewide Rate	

CDTFA collects sales taxes from sellers, deposits the state share in the General Fund, and then allocates the local share of the Bradley-Burns sales tax and any district tax to the appropriate local jurisdiction.

- b) *Used car sales tax gap*: The ARP began as an effort to close the \$30.89 million SUT gap primarily associated with noncompliant used car dealers. The CDTFA estimated the annual tax gap from used vehicle sales was around \$30.89 million in 2019. Through the efforts of the CDTFA and the DMV, this tax gap has dropped to only \$8.4 million by the end of 2025. Under the ARP, certain used motor vehicle dealers are required to pay the sales tax and any applicable district use tax on their retail sales of certain used vehicles directly to the DMV when they submit a vehicle registration application.

A dealer who sold 1,000 or more vehicles at retail in the current or preceding calendar year and whose account is in good standing with the CDTFA may be exempt from paying tax directly to the DMV. The account is considered to be in good standing if the dealer has timely filed and made applicable payments, including prepayments, for all required SUT returns for the 12 quarterly reporting periods immediately preceding the issuance of the exemption. Licensed new motor vehicle dealers are considered retailers and are not required to pay tax directly to the DMV, even if they also sell used vehicles.

This bill improves the CDTFA's operational efficiency by allowing the CDTFA to reinstate a dealer's status as in good standing. The CDTFA currently may exempt qualifying high-volume, low-risk dealers that are in good standing. However, if the exemption is revoked, existing law provides no mechanism to reinstate that exempt status once compliance is restored.

Additionally, this bill corrects a drafting error in R&TC Section 6295 that unintentionally limited the CDTFA's ability to reassess a dealer's good standing after the original exemption is issued. Under the existing language, the CDTFA must continue to assess good standing by referencing the 12 quarters preceding the original exemption, which provides no information regarding recent compliance. By redefining good standing to mean the dealer was compliant in the most recent 12 quarterly periods, the bill comports with legislative intent to allow an exemption from the ARP for compliant dealers.

- c) *ABLE accounts*: In 2014, Congress enacted the ABLE Act, which provides individuals with a way to contribute to tax-advantaged accounts as an alternative to Special Needs and Supplemental Needs Trusts. To qualify, an individual must be entitled to Social Security Disability Insurance benefits or have a disability certificate on file with the Internal Revenue Service. States administer ABLE programs on behalf of the programs' beneficiaries, who must be either blind or disabled before age 46.

ABLE accounts generally follow the same rules as Internal Revenue Code (IRC) Section 529 education savings accounts. Individuals can make non-deductible cash contributions to an account on behalf of the beneficiary, and earnings can grow tax-free. ABLE account distributions are excluded from the beneficiary's income if they are used to pay for qualified medical services of the beneficiary and do not exceed the cost of the services. The Legislature authorized CalABLE accounts in 2015 under the administration of the State Treasurer's Office and conformed to the federal tax treatment of ABLE accounts as of January 1, 2015, with the passage of AB 449 (Irwin), Chapter 774, Statutes of 2015, and SB 324 (Pavley), Chapter 796, Statutes of 2015. The CalABLE program opened to the public on December 18, 2018.

Since then, the Legislature has conformed several times to federal changes to ABLE accounts, including eliminating differences in qualification criteria, increasing contribution limits made by designated beneficiaries to up to the federal poverty level, and allowing taxpayers to roll over IRC 529 contributions to ABLE accounts, among other changes (AB 91 (Burke), Chapter 39, Statutes of 2019). In 2022, the Legislature made clarifying changes to align CalABLE account definitions with federal law regarding ABLE accounts, among other changes (AB 2216 (Irwin), Chapter 896, Statutes of 2022). In 2023, the Legislature enacted AB 339 (Irwin), Chapter 324, Statutes of 2023, conforming state law to changes made by the Consolidated Appropriations Act of 2023 that increased the age prior to which an individual's blindness or disability must have begun to qualify for the program from 26 to 46.

- d) *Recent changes to ABLE Accounts:* In 2025, Congress enacted H.R. 1 ("One Big Beautiful Bill Act" or "OBBBA"), which enacted several changes to the ABLE program. First, H.R. 1 amended the inflation-indexing cross-reference for contribution limits from 1997 to 1996, which would generally result in a higher annual contribution limit. Second, H.R. 1 made permanent the "ABLE-to-Work" provision, which was set to expire at the end of 2025. Under this provision, employed individuals with disabilities can contribute additional income to their own ABLE account(s) beyond the \$19,000 annual limit if they are not contributing to a defined contribution retirement plan. California's current specified date of conformity to the IRC is January 1, 2025, pursuant to SB 711 (McNerney), Chapter 231, Statutes of 2025, so California does not conform to recent changes to ABLE accounts made by H.R. 1.
- e) *Prior legislation:*
- i) SB 132 (Committee on Budget and Fiscal Review), Chapter 17, Statutes of 2025, among other things, amended R&TC Section 6295 to authorize the CDTFA, in consultation with the DMV, to exempt from the ARP any used car dealer that sold 1,000 or more vehicles at retail in the previous calendar year or the current calendar year, provided that the dealer's account is in good standing with the CDTFA.
 - ii) SB 1528 (Committee on Revenue and Taxation), Chapter 499, Statutes of 2024, among other things, authorized the CDTFA to waive the SUT prepayment requirement under R&TC section 6471 for used car dealers that meet specified requirements, including that more than 75% of the taxpayer's gross receipts were from retail sales of motor vehicles required to be registered under the Vehicle Code during the prior calendar year.
 - iii) SB 1496 (Committee on Governance and Finance), Chapter 474, Statutes of 2022, among other things, authorized the CDTFA, in consultation with the DMV, to postpone from January 1, 2023, to January 1, 2026, the date for specified used car dealers that made more than 300 retail vehicle sales in the previous calendar year and to remit applicable SUT to the DMV within 30 days of sale.
 - iv) AB 176 (Committee on Budget), Chapter 256, Statutes of 2021, a follow-up to AB 85 and AB 82, among other things, provided that a vehicle dealer shall pay the applicable use tax imposed under the Transactions and Use Tax Law. AB 176 also

authorized the DMV to establish a compliance schedule based on operational needs to effectively enforce tax collection.

- v) AB 85 (Committee on Budget), Chapter 8, Statutes of 2020, and AB 82 (Committee on Budget), Chapter 14, Statutes of 2020, included a requirement that licensed used vehicle dealers pay the applicable SUT on their retail vehicle sales directly to the DMV at the same time a vehicle registration application is submitted.

REGISTERED SUPPORT / OPPOSITION:

Support

California State Treasurer Fiona Ma
California Taxpayers Association

Opposition

None on file

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